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Section 2

Industry Participation: Understanding the Automation Rule

NOTE: This section is also published separately from the *HUD-50059 Information Packet* as an "Understanding the Automation Rule" hand-out. If you have received this hand-out, and want a copy of the entire *HUD-50059 Information Packet* (or *Yellow Book*, as it is also called) call the TRACS Hotline at **1-800-767-7588** 8:00 am - 8:00 pm (Central Time) Monday - Friday

Introduction

This section of the *HUD-50059 Information Packet* explains and clarifies industry[†] participation in automation as mandated in the TRACS Automation Rule.

The rule was published in two parts as the "*Electronic Transmission of Required Data for Certification and Recertification and Subsidy Billing Procedures for Multifamily Subsidized Projects*" (24 CFR Part 208) in the *Federal Register*.

NOTE: Housing tenant data collection functions pertain to owners, management agents, and PHAs / State Housing Agencies acting as contract administrators. For simplification purposes, these participants are referred to as *industry* in this document.

What Does the Rule Require?

The rule requires electronic submission (in a HUD-prescribed format) of tenant and financial data by owners of certain subsidized multifamily projects and by the public agencies that administer the assistance contracts for HUD. Electronic submission will improve the accuracy and validity of voucher data. Electronic transmission of data is also necessary because the manual submission of HUD forms has become a burden to project owners, managers, and HUD.

When Was the Rule Published?

The rule described in this section (24 CFR Part 208) was published with a final and an interim portion on November 19, 1993, page 61017 (a correction of this rule was published November 26, 1993, on page 62415).

After allowing for a public comment period in order to finalize the provision of the interim rule, the interim rule portion was published as a final rule on August 24, 1994, on page 43472 (a correction of this rule was published on September 20, 1994, on page 48171).

What Programs Require Electronic Submission?

The various categories of project owners were phased into compliance with the automation rule by establishing different categories within the rule. When the interim 11-19-93 rule was published as a final rule on 8-24-94, these categories were eliminated since they were no longer necessary or useful. However, they are outlined below to show the phased approach taken in mandating automated submission of data from industry members.

Final Rule Published 11-19-93

See 11-19-93 rule, S.208.104(a);
page 61023
See 8-24-94 rule, Summary, page
43472

The **final portion** of the 11-19-93 rule covers insured and non-insured programs which report to HUD Field Offices, and which *were covered* in an earlier proposed rule originally published in 1988.

A listing of the programs covered by the 11-19-93 final rule includes:

- Section 236 Interest Reduction
- Section 236 Rental Assistance Payments (RAP)
- Section 221(d)(3) Below Market Interest Rate (BMIR)
- Section 101 Rent Supplement
- Section 8 programs:
 - New Construction
 - Substantial Rehabilitation
 - Section 515/8 Farmers Home Administration
 - Section 202/8
 - Loan Management Set-Aside
 - Property Disposition Set-Aside

Final Rule Published 8-24-94

See 11-19-93 rule, S.208.104(b)(c) page
61023
See 8-24-94 rule, Summary, page 43472

The **interim portion** of the 11-19-93 rule was published as a **final rule** on 8-24-94. It covers insured and non-insured programs *listed in the section above* which report to Contract Administrators (State Housing Finance and Development Agencies, and other Public Housing Agencies). The interim portion of the 11-19-93 rule finalized on 8-24-94 also applies to programs *not covered* in the earlier proposed rule published in 1988.

These programs include:

- Section 202 projects with Rent Supplement
- Section 202 projects with Loan Management Set-Aside
- Section 202 projects with Section 162 assistance
- Section 202 Supportive Housing for the Elderly
- Section 811 Supportive Housing for Persons with Disabilities

All subsidized multifamily projects with a State housing finance and development agency or other Public Housing Agency serving as the Contract Administrator

Not Covered by the 11-19-93 or 8-24-94 Final Rule

See 11-19-93 rule, S.208.104(d); page
61023
See 8-24-94 rule, Summary, page
43472

No portion of the 11-19-93 interim, 11-19-93 final rule, or 8-24-94 final rule covers the following programs:

Section 8 Existing Housing Program
Section 8 Moderate Rehabilitation Program

Effective Dates

Effective dates for the 11-19-93 **final** rule depended on whether a project had already automated the production of forms submitted to HUD. These forms included certifications (HUD-50059 and worksheets) and subsidy billings (Form 52670 and its parts).

Automated Owners and Agents: ~~March 21, 1994~~

See 11-19-93 rule, S.208.108(a);
page 61023
See 8-24-94 rule, Background, page
43472

Projects that had already automated the production of certifications and subsidy billings have been required to begin electronic transmission of this data to HUD since **March 21, 1994**. Included in this grouping were those BMIR and 236 projects with no deeper subsidy (no Rent Supplement, RAP or Section 8) which had not been required to submit HUD-50059s for several years. This 120-day period between publication of the 11-19-93 rule and the effective date allowed time to update existing software or to procure new software that can format data for electronic transmission.

When projects begin transmitting automated MAT data, they should **stop** sending a paper copy of the HUD-50059 to the HUD field office.

However, projects should continue to send the subsidy billing forms to the Field Accounting Division (FAD) and the HUD field office.

Non-Automated Owners and Agents: ~~May 20, 1994~~

See 11-19-93 rule, S.208.108(b);
page 61023
See 8-24-94 rule, Background, page
43472

Projects that manually prepare and submit certifications and subsidy billings were required to begin electronic transmission of this data to HUD since **May 20, 1994**. This 180-day period between publication of the 11-19-93 rule and the effective date allowed time for projects to obtain information and determine whether it would be more cost effective to purchase hardware and software or to contract out the electronic transmission.

During this time, owners had to:

1. Begin and complete their search to purchase equipment and software or sign service contracts
2. Complete data loading
3. Begin the electronic transmission

When projects begin transmission, they should **stop** sending a paper copy of the HUD-50059 to the HUD field office.

However, projects should continue to send the subsidy billing forms to the FAD and HUD field office.

11-19-93 Interim Rule Became Final 8-24-94:

~~September 23, 1994~~

See 11-19-93 rule, S.208.108(c)(d);
page 61023

See 8-24-94 rule, Background, page
43472

When the 11-19-93 interim rule was published, no date was set for implementation. While the 11-19-93 rule stated that implementation was to occur in 180 days, that date was suspended and was not to become effective until a subsequent Notice of Effective Date was published in the *Federal Register*.

However, no effective date announcement was published for the 11-19-93 interim rule; instead, the 8-24-94 final rule finalized the provisions of the 11-19-93 interim rule.

Projects which fall under the interim 11-19-93 rule finalized on 8-24-94 have been required to electronically transmit 50059 data to HUD since **September 23, 1994**.

Other projects covered under this 8-24-94 final rule include:

- Section 202 projects with Rent Supplement
- Section 202 projects with Loan Management Set-Aside
- Section 202 projects with Section 162 assistance
- Section 202 Supportive Housing for the Elderly
- Section 811 Supportive Housing for Persons with Disabilities

Information for Contract Administrators

When the 11-19-93 rule was published, Contract Administrators were advised of the need to purchase or modify their software to be ready to receive and transmit data electronically. Subsequently, the Contract Administrators were also informed to notify projects under their jurisdiction as to when and how they were to begin electronic submissions.

CA-Administered Owners/Agents May Not Send Data Directly to TRACS

All insured and non-insured projects that report to Contract Administrators (CAs) (State Housing Finance and Development Agencies and other Public Housing Agencies) must electronically submit data in the TRACS format to their CA. CAs must electronically receive the data and transmit it to HUD in the prescribed format. Contract Administrators **may not** require owners and agents to send data directly to TRACS; they are still expected to review the certification data before transmission to HUD.

When projects begin transmitting to the Contract Administrator and when owners and agents begin transmitting to HUD, they should **stop** sending a paper copy of the HUD-50059 to the HUD field office.

Remember, Contract Administrators **may not** require owners and agents to continue sending paper HUD-50059s after they have begun electronic transmission.

However, projects should continue to send the subsidy billing forms to the FAD and HUD field office; CA-administered projects continue to send these forms to the

CA.

Transmission of Retroactive Data

See 11-19-93 rule, S.208.108(a)(b)(c)(d);
page 61023
See 8-24-94 rule, S.208.108(a)(b)(c)(d);
page 43475

The 11-19-93 final rule stated that project owners were required to transmit data collected for the 12 months preceding the effective date, as well as data collected on or after this date. This wording did not clearly represent the actual requirement. The 8-14-94 final rule was amended to more accurately describe the data to be sent in the retroactive transmission. The following sections offer an explanation of the data that should be included in this transmission and provide the deadline for the transmission of retroactive data. Examples for a further explanation of the requirement are also included.

Data Required in Retroactive Transmission

The retroactive transmission **must** include the *most recent, complete* certifications for all tenants.

Complete certifications are:

- Move-ins
- Initial certifications
- Annual or interim recertifications

Even though the rule includes language that addresses "the prior twelve months," data is only requested for subsidized tenants who are currently in occupancy.

Therefore, data should not be submitted for tenants who moved out or had assistance terminated prior to the effective date of this rule.

When a partial certification—unit transfer, gross rent change, correction—is the most recent certification for a tenant, industry members must submit the **previous complete** certification.

However, these certifications **cannot** be sent in the same transmission. Only unit transfers and gross rent changes can be sent in the same submission. A correction to a certification must be sent in a separate transmission after the original certification has been processed. This step-by-step process ensures that the tenant database contains all current and complete information for all tenants in occupancy.

90-Day Deadline for Submission of the Retroactive Transmission

Senders should **not** include the retroactive data as part of the initial TRACS transmission. Submitters need to first establish an initial transmission which is both complete and successful; this is established when no MAT errors are generated.

Industry members will be expected to complete the retroactive transmission within 90 days of their implementation date.

Understanding Retroactive Transmission Examples

These examples are designed to help owners and agents understand the requirements of retroactive transmission. The examples apply in a fairly precise manner to projects with no data in TRACS. For projects already sending data to TRACS please use the examples below as a general guideline to determine your requirements for retroactive transmission.

Basic Example

Project A has 100 units, all of which are occupied and receiving subsidies covered under the final portion of this rule. There were no unit transfers or gross rent changes in the 12-month period preceding the first transmission to TRACS.

April 5, 1994 The first certification and voucher data is transmitted electronically to TRACS, for the May 1994 voucher (subsidy billing). There are 5 annual recertifications and 5 interim recertifications, covering households in 10 of the 100 units.

May 5, 1994 The second set of certifications is transmitted, corresponding to the June voucher. There are 10 annual recertifications. When combined with the first transmission, households in 20 of the 100 units now have complete certifications in the system.

June 15, 1994 Retroactive data is transmitted for the project. Basically, this is data for the remaining 80 households that are currently occupying units.

The transmission should include only one certification per household: the most recent move-in, initial certification, annual recertification or interim recertification submitted during the 10-month period July 1993 through April 1994.

It is *not* necessary to submit prior certifications for the 20 households transmitted to TRACS in April and May, 1994.

It is *not* necessary to submit earlier certifications for these households, even if they occur within the 12-month period. For example, in February, 1994, an interim recertification was submitted for the household in unit 101. The annual recertification for the household was submitted two months earlier, in December 1993. *Only the interim recertification submitted in February needs to be transmitted to TRACS.*

Gross Rent Change

Project B has 100 units, all of which are occupied and receiving subsidies covered under the final portion of this rule. There was a gross rent change effective April 1, 1994.

April 5, 1994 The Project's first certification and voucher data is transmitted electronically to TRACS, for the May 1994 voucher (subsidy billing). There are 10 annual recertifications covering households in 10 of the 100 units. The annual recertifications reflect the new rent effective in April.

May 5, 1994 The second set of certifications is transmitted, corresponding to the June voucher. There are 10 annual recertifications, which also reflect the April rent change.

June 15, 1994 Retroactive data is transmitted for the remaining 80 units. For all of these units, the *most recent* certification would be the gross rent change. This is considered a *partial* certification, since only a limited number of blocks need to be updated.

In this situation, the project must first transmit the most recent, *complete* certification prior to the gross rent change, and then transmit the gross rent change data as specified in the *MAT User's Guide*.

The steps again when gross rent change is the most recent certification:

1. For each household, transmit the move-in, initial certification, annual recertification or interim recertification that was submitted immediately prior to the gross rent change.
2. Transmit the gross rent change. The complete certification and gross rent change certification *cannot* be included in the same transmission.

This situation occurs only when a gross rent change is the first transmission to TRACS. The gross rent change needs a **complete** tenant record to which it can attach itself. Whenever a household's first transmission to the system is a **complete** certification, subsequent gross rent changes will be handled successfully.

Unit Transfer

Project C has 100 units, all of which are occupied and receiving subsidies covered under the final portion of this rule.

April 5, 1994

The Project's first certification and voucher data is transmitted electronically to TRACS, for the May 1994 voucher (subsidy billing). There are 10 annual recertifications.

May 5, 1994

Retroactive data is transmitted for the remaining 90 units. For some of these units, the *most recent* certification was a unit transfer. This is also considered a *partial* certification, since only a limited number of blocks need to be updated. Like the example above, the project must first transmit the most recent, *complete* certification prior to the unit transfer, and then subsequently transmit the unit transfer as specified in the *MAT User's Guide* (MAT 70).

Blanket Recertification

HUD is allowing 90 days for transmission of retroactive data following the implementation date for the project (either March 21, 1993; May 20, 1993; or September 23, 1994). Some projects are approved by their field offices for blanket recertification, i.e., all tenants recertified at the same time.

If an entire project will be recertified within the 90-day period for transmission of retroactive data, it will not be necessary to transmit retroactive data. The goal of retroactive transmission is to establish a complete database of tenants in subsidized housing. When recertifications are transmitted for an entire project, that goal will have been met.

Project D has 50 units, of which 47 are occupied. Two of the units had new tenants on April 1, 1994. For many years the project has submitted blanket recertification in May, effective June 1.

April 5, 1994

Move-in certifications are submitted for the two households that moved in April 1, 1994.

May 5, 1994

Annual recertifications are submitted for the remaining 45 units that are occupied.

Data to be Transmitted to HUD

See 11-19-93 rule, S.208.108(e); page 61023

The automation rule covers electronic transmission of data from the HUD-50059 form and HUD-50059 worksheets a, b, c, d, e, f, g, h, and k; and the Subsidy Billing Forms (HUD-52670, 52670-A, Parts 1 and 2, and 52671-A through D).

At this time, the only information being collected is data on the HUD-50059 and Worksheets, and limited information from the HUD-52670-A, Part 1. However, a later release of TRACS will collect all the data from the HUD-50059 and Worksheets, and the Subsidy Billing Forms.

The exact requirements for data to be submitted to TRACS are identified in the *MAT User's Guide*. Data required by the rule, but not being accepted by the system at this time, is marked **F=Future** in Chapter 4 or "**For Future Use**" in Appendix C of the *MAT User's Guide*. This includes most subsidy billing forms: HUD-52670; HUD-52670-A, Part 1 except for move-out and terminations of assistance; HUD-52670-A, Part 2; HUD-52671-A, B, C, and D.

Submission of the Monthly Payment Voucher to HUD

TRACS does not currently authorize payments. However, the automated payment process will begin in September 1997. Until that time, it is essential that paper copies of subsidy billings continue to be sent to the HUD field office and the FAD, or the contract administrator.

Questions

Industry members should contact their local Field Office, or the TRACS Hotline at **1-800-767-7588**.